

**CITY OF NEW ULM
ECONOMIC DEVELOPMENT AUTHORITY
NEW ULM COMMERCIAL PROPERTY LOAN PROGRAM
POLICIES AND REGULATIONS**

Program Highlights:

- A. The EDA's loan must be used for building improvements.
- B. The EDA funds will be provided at a two (2) percent annual interest rate.
- C. To access EDA funds, approval for the loan must be secured before rehab activity begins.
- D. Maximum loan amount: The EDA will contribute 50% of the total loan amount, up to \$75,000.
- E. Loan amounts must have an approved matching amount from a local lender. Other funding sources may be acceptable. Please contact the Economic Development Director for approval.
- F. Loan funds will be disbursed to the lending institution or business owner at closing.
- G. Amortization period: The maximum allowable amortization period for the program will be ten (10) years. Under special circumstances, a longer amortization period can be negotiated, not to exceed an additional five (5) years.
- H. A Commercial Real Estate Mortgage, Promissory note and Personal Guaranty are required at time of closing.
- I. Payment of monthly loan program installments will be through automatic withdrawal from the borrower's checking or saving account.
- J. A second loan application may be submitted for the same property subject to loan program regulations.
- K. An applicant may substitute their own equity for the bank's portion of the loan.

II. Introduction

The New Ulm Economic Development Authority (EDA) administers a Commercial Property Loan Program. EDA, in the course of time, reserves the right to revise the following guidelines in direct cause of benefiting and improving the Commercial Property Loan Program. A commercial property is defined as: Any permanent structure which is primarily used for conducting retail, service, non-profit, or

business/office activities. For purposes of this program, primarily shall be defined as over 75% of the structure's total square footage on the ground or main floor level.

III. Eligible Improvements

- A. All improvements must be of a fixed and permanent nature. Eligible improvements shall include activities which specifically and directly address the following areas:
 - 1. Facade improvements to building exteriors, including signage.
 - 2. Enhancement of building entrances.
 - 3. Improvements which increase the energy-efficiency of the building.
 - 4. Utility related improvements, including, but not limited to, repair or replacement of water/sewer/steam utility services, placement of electrical, telephone or other overhead service underground. Installation of new overhead services is not an eligible activity.
 - 5. Health/safety improvements.
 - 6. Improvements which correct areas of building code non-compliance.
 - 7. Interior remodeling improvements for commercial properties.
 - 8. Handicapped accessibility improvements for commercial properties.
 - 9. Roof and parapet wall improvements or repairs.
 - 10. Heating, ventilation, air conditioning and lighting improvements.
- B. Improvements must be made in compliance with all applicable building codes and standards. However, loan applications will not be denied solely because the proposed improvements do not bring the property into full compliance with all such codes and standards.
- C. Property rehabilitation improvements may not include materials of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.
- D. The improvements undertaken must be viable in terms that after the improvements are made:
 - 1. The structure will have a remaining useful life such that the full loan may be amortized within three-fourths of the expected remaining life of the structure. The maximum allowable amortization period will be ten years, and in certain cases, fifteen years.
 - 2. The improved structure will be structurally sound.
 - 3. The loan amount must not exceed 100% of the eventual market value of the structure to be improved.
- E. Loan funds may not be used to refinance or pay off existing construction or business debts or to be used for current operational expenses. Loan funds

may be used only to finance improvements begun after the loan approval unless waived by the Economic Development Director.

- F. To be eligible for the loan program, reasonable assurances must be provided that displacement of existing tenants will not occur.
- G. A property may have an active loan from the Rehabilitation and Small Business Loan Program at the same time.
- H. City staff reserves the right to assist applicants on the local Historic Registry with developing design plans that are aesthetically compatible with surrounding properties. If necessary, the assistance of an outside professional in performing the design review may be necessary. The cost of such assistance will be the responsibility of the EDA.
- I. Properties designated as a heritage preservation landmark or district by the City of New Ulm or properties on the National Register of Historic Places shall follow appropriate historic design guidelines for exterior improvements. The process for a property so designated shall include a review of any exterior improvements by the Heritage Preservation Commission following its normal approval process.

IV. Eligible Recipients

- A. Property owners: Commercial property owners, including those subject to mortgages and contract for deeds, will be eligible to receive property loan assistance. Where properties are owned by more than one individual, or when a contract for deed is involved, written approval must be received from all individuals having an ownership interest in the property.
- B. Business owners or commercial property tenants: Business owners and commercial property tenants not having any ownership interest in the property will also be eligible for loan assistance. This eligibility is contingent upon receiving written approval from all individuals having an ownership interest in the property.
- C. Loan recipients must be reasonable credit risks. A credit worthiness assessment will be conducted either by the lending institution or city staff involved in the Commercial Rehab Loan Program.

VI. Application Process

- a) Applications for this program are available from the Economic Development or Community Development Departments, 2nd floor of City Hall, and will be considered on a "first come-first served" basis. The acceptance of new applications will be contingent upon the availability of program funds. Loan review and approval process can take a minimum of two weeks.

- b) The Economic Development Director will evaluate the submitted loan material to ensure that all required information has been provided, and to assess the eligibility of the rehabilitation activities proposed. In addition, an inspection of the property by the Building Official maybe requested based on the scope of the project.
- c) All property rehabilitation activities proposed to be financed through this program must be described in the application. Specifications may be required for soliciting bids on the project. The preparation of the specifications will be the responsibility of the applicant.
- d) Project cost estimates and credit worthiness will be reviewed by the Economic Development Director and the participating bank. The Economic Development Director, in conjunction with the participating bank or entity shall have final responsibility in determining which loan applications will be approved or denied.
- e) Loan applications requesting EDA loan funding in excess of \$50,000 will require approval from the Economic Development Authority at a regular or special meeting.
- f) Two bids are encouraged for projects. These bids must be based on the approved specifications and may be received from general contractors, construction firms or qualified individuals in the building trades. The bids should identify the type and quantity of materials to be used, and should detail the material and labor costs expected to be incurred in the project. The bids must remain valid at least 30 days from submittal.
- g) Upon successfully completing steps a) through f), the applicant will receive final approval from the Economic Development Director to proceed with the project in the form of a letter. The Economic Development Director and lending institution will determine the final loan amount to be awarded and the closing date for the loan. The EDA will provide the lending institution with the relevant loan information.
- H) Rehabilitation loans may include an escrow amount equaling 10% of the total project cost, up to \$7,500. This escrow will be used only if change orders are necessary as the project proceeds. Change orders will be strongly discouraged and will require the pre-approval of the Economic Development Director. At the applicant's request, all building permit fees, mortgage security fees, or other required fees and licenses may be included in the calculated loan amount which will be divided equally between the EDA and participating bank.
- I. All loans shall be secured by second or third mortgages, or other means acceptable to the lending institution and Economic Development Director.

- J. The lending institution shall provide the EDA appropriate documents from the loan approval process and recorded documents from the loan closing.
- K. When rehab project is completed, copies of paid receipts will be submitted to the Economic Development Director for filing.

Amended, July 14, 2020